Saskatchewan Grain Car Corporation

Government of Saskatchewan

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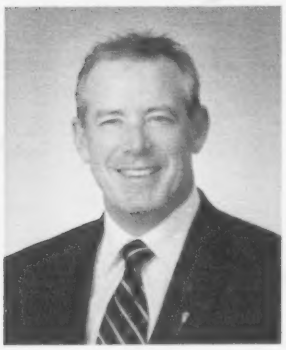


October 15, 2013

The Honourable Vaughn Solomon Schofield
Lieutenant Governor of Saskatchewan

I have the honour to submit herewith the Annual Report of the Saskatchewan Grain Car Corporation for the fiscal year ending July 31, 2013 in accordance with *The Saskatchewan Grain Car Corporation Act*. The Financial Statements are in the form approved by Treasury Board and have been duly certified by auditors for the Corporation.

Respectfully submitted,

Hon. Don McMorris
Minister Responsible for the
Saskatchewan Grain Car Corporation

President's Message

September 30, 2013

The Honourable Don McMorris
Chairman of the Board

Dear Sir:

As President of the Saskatchewan Grain Car Corporation (SGCC), I am pleased to present the annual report for the fiscal year ending July 31, 2013.

As in past, we continue with our mandate of maximizing economic benefits to Saskatchewan agriculture, industry, and the province in general through effective and efficient utilization of our resources. Our commitment of leasing hopper cars to the Saskatchewan shortline railways on a commercial basis, as a first priority, remains. Leasing directly to shortlines continues the focus of benefits to the producers and shortline railways based within the province.

The SGCC remains focused on core operations in supplying high quality hopper cars for the transport of western grains. We continue to perform regular inspections and take proactive measures to ensure the long term viability of the hopper car fleet. The Corporation has continued the blast, paint and decal program from last year, with approximately seventy hopper cars being repainted.

Movements of grain to port account for the majority of utilization, and it is anticipated the new marketing opportunities for the sale of grain will still necessitate the need for car movement and availability. The Corporation looks forward to meeting and fulfilling these ongoing needs and new opportunities within the agriculture sector.

Stakeholder relations continue as a high priority with the Corporation staff as cohesive working relationships enable the provision of benefits to Saskatchewan residents.

We look forward to new horizons in the future and the exciting times ahead.

Regards,

Robert (Bob) Mason
President and CEO

SGCC Quick Facts

as of July 31, 2013

Corporation Established	Oct 2, 1979
Office	Regina

Board of Directors

Honourable Don McMorris, Chairperson

Honourable Lyle Stewart, Vice Chairperson

Fleet

Cars in service	903
Cars allocated to CN (SKNX 397000-397476)	4
Cars allocated to LMR (SKNX 397000-397476)	411
Cars allocated to CPR (SKPX 625000-625522)	488
Cars destroyed to date	97
Car volume	128.8 m3 (4550 ft3)
LD LMT (Load Limit)	101,605 kg (224,000 lbs)
LT WT (Light Weight - empty)	28,123 kg (62,000 lbs)
Gross Weight	129,728 kg (286,000 lbs)
Material	Steel
Lining	Epoxy
Dates built	February, 1981 to October, 1981
Service Life Remaining	17 years

Financial

Tangible capital assets as of July 31, 2013 – Hopper cars	$10,088,263
Total dividends paid to the General Revenue Fund to date	$18,500,000

Governing Legislation & Lease Agreements

The Saskatchewan Grain Car Corporation Act

Operating Agreement with Canadian National Railway (CN)

Alternate Use Agreement with CN

Lease Agreement with Canadian Pacific Railway Ltd. (CPR)

Lease Agreement with Last Mountain Railway (LMR)

Corporate Profile

Profile

In 1981, the Government of Saskatchewan made a strategic investment of approximately $55,000,000 in Canada's grain transportation system by purchasing 1,000 covered hopper cars for the movement of export grain grown by western producers. This investment led to the development of the Saskatchewan Grain Car Corporation (SGCC) a Treasury Board Crown Corporation established under the authority of the *Saskatchewan Grain Car Corporation Act*.

The SGCC is governed by a Board of Directors who oversee the management of the Corporation. The Chair of the Board is also the Minister Responsible for the Saskatchewan Grain Car Corporation, who functions as a link between the Corporation and Cabinet, as well as the Provincial Legislative Assembly.

Mission

The Saskatchewan Grain Car Corporation will maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources.

Vision

To have an effective, efficient and affordable grain handling and rail transportation system that is the best in the world.

Mandate

In partnership with farmers, and community groups, and in cooperation with shippers and railroads enhance the effectiveness and efficiency of transporting and handling grain.

Values

We believe that through innovation and, by using the assets and intellectual capital resident in the Saskatchewan Grain Car Corporation, we can improve the agricultural economy of Saskatchewan by ensuring that producers have influence on grain transportation policies and practices and that producers benefit from modernization of the grain logistics system.

The Saskatchewan Grain Car Corporation is a workplace of choice because we value creativity, fairness, honesty, excellence, accountability, and personal development, as the most important priorities for our jobs and our working relationships.

Corporate Overview

In the 2012-13 fiscal year, the Saskatchewan Grain Car Corporation (SGCC) focused on meeting the needs of its stakeholders. The Corporation fulfilled its commitment of leasing hopper cars to Saskatchewan Shortlines as a first priority and renegotiated leasing arrangements to meet the needs of the grain transportation and handling system (GTHS). The SGCC continued its role of providing financial administration for the Shortline Railway Sustainability Program (SRSP) and also funded the program. The SRSP is a program that provides matching grant funding to Saskatchewan shortlines for the repair and maintenance of railway track infrastructure.

The Corporation continues to remain focused on achieving its overall mission "to maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources".

In the 2012-13 fiscal year, the Corporation leased the fleet to one Saskatchewan shortline and the Class 1 Railways providing capacity for commodity movements within the province and western Canada. The Corporation continued to dedicate resources to proactive measures including regular inspections and maintenance programs such as the blast, paint and decal program. These proactive measures ensure that the Corporation is able to provide good quality hopper cars for lease in the GTHS.

The SGCC also provided a dividend payment to the General Revenue Fund in the amount of $3.5 Million. Over the years, the Corporation has contributed $18.5 Million in dividends to the General Revenue Fund.

In the 2013-14 fiscal year, we look forward to new opportunities and challenges in the GTHS and working with our stakeholders in the industry. We will continue to ensure the Corporation's mission is adhered to by evaluating business decisions and opportunities within the context of the priorities.

2012-13 Key Activities

Leasing of the SGCC Hopper Cars

- Leasing 415 hopper cars to Last Mountain Railway (LMR) under a commercial agreement.
- Leasing 488 hopper cars to Canadian Pacific Railway Ltd. (CPR) under a commercial agreement.
- Continued to facilitate the turn back of hopper cars from Canadian National Railway (CN) to LMR. As of July 31, 2013, CN has four hopper cars that remain in their service.
- Engaged a consultant to prepare a report on current market lease rates for covered hopper cars.

Asset Management of the SGCC Hopper Cars

- Completed random inspections throughout the year.
- One hopper car destroyed in 2012-13.
- To date a total of 97 hopper cars have been destroyed.
- Member in good standing of the Association of American Railroads.

Blast, Paint and Decal Program

- 63 hopper cars painted in 2012-13.
- 243 cars repainted to date, approximately 27% of the fleet.
- 73% of the SGCC fleet has original 1981 paint.

Shortline Railway Sustainability Program

- Financial administration of matching grant funding for Saskatchewan shortlines.

West Central Road & Rail Ltd.

- Contracted and shipped approximately 300,000 metric tonnes.
- The SGCC divested 2,000 Class E Shares in May 2013 and will divest the remaining 2,000 shares in November 2014.

Advisory Services

- Provide advice and ongoing assistance to stakeholders and other jurisdictions on hopper car asset management and grain transportation issues.

Core Business

The SGCC's core business is the management of the 903 covered hopper cars including lease negotiations and asset management. The main source of revenue is from leasing the hopper cars to the railways. The SGCC continues to lease hopper cars to both Saskatchewan shortlines and Class 1 Railways.

Commercial Lease Agreements

The SGCC continues to give first priority to the Saskatchewan shortline railways with respect to leasing the hopper car fleet.

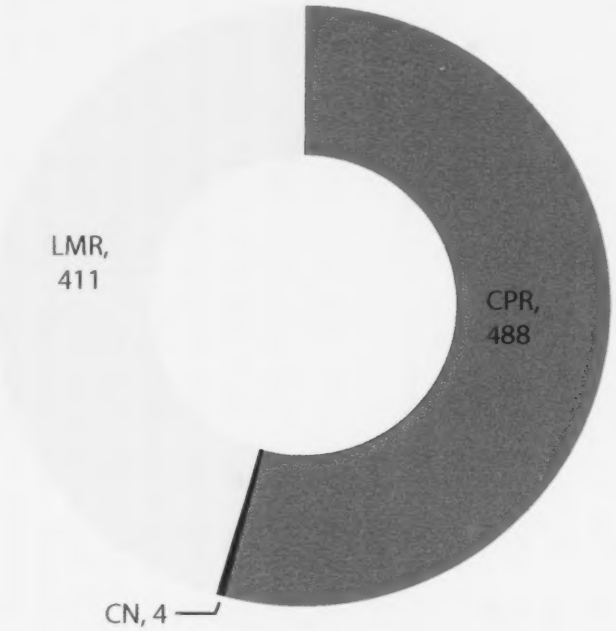
Last Mountain Railway (LMR) is currently the only Saskatchewan shortline leasing hopper cars from the province. LMR has leased 415 hoppers car from the SGCC under commercial terms. The hopper cars have been removed from Canadian National Railway (CN) service. The turn back process takes considerable time but as of July 31st, 2013 the majority of the cars are in LMR services (411 hopper cars). The remaining four cars will be turned back from CN to LMR in the 2013-14 fiscal year.

The SGCC continues to lease 488 hopper cars to Canadian Pacific Railway Ltd. (CPR). The lease arrangements provide CPR with greater flexibility in the management of the hopper cars and also provide SGCC with more accuracy in forecasting revenues. Greater flexibility in the usage of the SGCC hopper car fleet facilitates efficiencies in the GTHS.

Throughout the 2012-13 fiscal year, hopper cars continued to be transferred from CN to LMR. The hopper cars that remained in service with CN, were managed under the terms of the existing agreement. As of July 31st, 2013, CN had four SGCC hopper cars remaining in service.

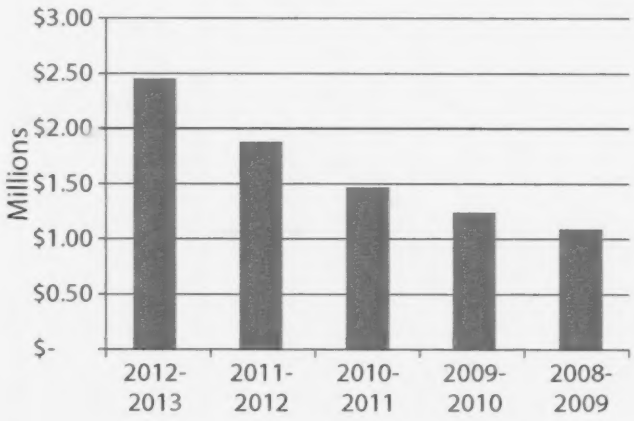
SGCC management engaged AllTranstek LLC, the largest railroad management and consulting firm in North America, to prepare a report on the estimated lease market rate for covered hopper cars. The report is completed on an annual basis and is used to assist management during lease negotiations.

Hopper Car Allocation
as of July 31, 2013



In 2012-13, leasing revenues reached $2.2 million. The commercial leasing format provides SGCC with stable and predictable revenues.

5 Year Comparison of Leasing Revenues



Core Business

Asset Management

Asset management is an integral component in the long term viability of the SGCC hopper car fleet. As such, the SGCC takes a proactive approach to identifying issues such as corrosion that could potentially impact the life expectancy of the hopper car.

Regular inspections are completed on the fleet to ensure that the Corporation is aware and can address any potential concerns. The SGCC addresses concerns with the lessee of the hopper cars and ensures that maintenance deficiencies are addressed.

The hopper car blast, paint and decal program was continued in the 2012-13 fiscal year. This program is a significant part of asset management and extremely important for the long term viability of the hopper cars.

Part of the SGCC proactive asset management is to stay abreast of changes to the Association of American Railroads (AAR), Transport Canada and Federal Railway Administration (FRA) rules and regulations and other industry concerns and trends that may affect the long term maintenance plans for the hopper car fleet. As a member of the AAR, the SGCC has access to important information on industry changes and maintenance requirements.

In a case when hopper cars are damaged beyond repair, the railway responsible is required to compensate the Corporation based on rules set out by the AAR. Over the years, the Corporation has had a total of 97 destroyed cars. In 2012-13, the SGCC had one hopper car destroyed.

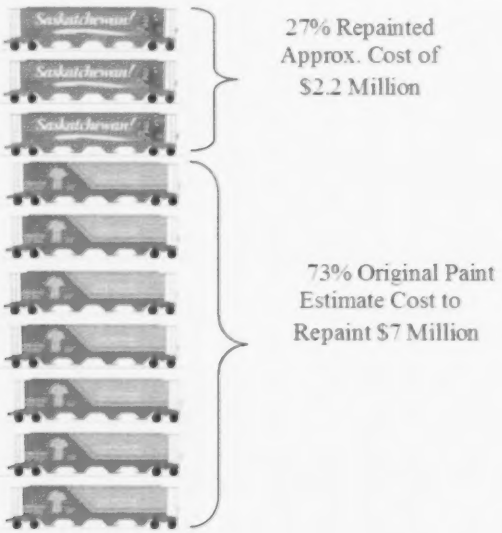
Hopper Car Blast, Paint and Decal Program

The hopper car blast, paint and decal program is a preventative maintenance practice that is important in ensuring the asset is viable until the end of its useful life. In 2004, AllTranstek, LLC, completed a random inspection of 13% of the SGCC hopper cars. It was recommended from this inspection that in the next five years the SGCC should focus attention on repainting the cars to prevent future corrosion issues. The SGCC continues to monitor corrosion issues and track hopper cars that are in high need for repainting.

Since 2006-07, the Corporation has invested over $2.2 Million in blasting, painting and decaling a portion of the SGCC hopper car fleet. During the regular inspection process, the Corporation monitors the external condition of the hopper cars and determines the need to repaint. The main concern related to the external condition of the hopper cars is the corrosion and the long term effects on the steel integrity. Repainting is a preventative measure that provides a protective barrier.

The Corporation has a graffiti policy that focuses on removing any graffiti that impacts on safety or is offensive, racist, sexist and/or politically motivated. In 2012-13, one SGCC hopper car was repainted due to this type of graffiti.

The Corporation has repainted 27% of the fleet with 243 cars completed. An additional 50-60 hopper cars will be completed in 2013-14 fiscal year.



Core Business

West Central Road & Rail Ltd.

The SGCC partnered with West Central Road & Rail Ltd. (WCRR) in 1999 during the Grain Logistic Pilot Project. The project studied whether cost savings could be realized in grain transportation by using modern logistical practices to improve efficiencies. The SGCC provided an equity investment to support Phase II of the project which was the implementation phase. In the 2012-13 fiscal year, the Corporation continued its involvement with WCRR.

WCRR's 2012-13 fiscal year was one of major transitioning. The end of the Canadian Wheat Board's (CWB) monopoly and the introduction of the open market necessitated significant changes to WCRR's original business model.

A new company, GOALS Marketing Inc., a wholly owned subsidiary of WCRR, was created to allow for the buying and selling of grain. New enterprise software was purchased to allow for the real time reporting of GOALS's market positions. Increased operating lines had to be established in order to finance grain purchases. A futures account had to be set up to allow for the hedging of hedgable commodities such as wheat and canola. A marketing team was formed, which included obtaining marketing expertise, to ensure disciplined marketing decisions and risk mitigation were being adhered to. All of these pieces have been brought together to enable a smooth transition into the open market. To date WCRR is pleased with the outcome.

WCRR shipped approximately 300,000 metric tonnes over the course of the fiscal year. While this is down from the previous fiscal year's volumes, the number is viewed positively in light of the decrease in production and the transition to an open market. The most significant reduction was the metric tonnes generated from satellite sites. The number of producer cars loaded in the 2012/13 crop year saw a major reduction in overall numbers due to the uncertainty of shipping grain to port in the open market environment. Areas where traditional producer car loading was being utilized seemed to be the most adversely affected.

In April , WCRR launched an expansion project for it's facilities in Lucky Lake and Beechy including additional bin structures and conveyance. The project was completed in August. WCRR is confident that the expansion will serve the interests of both WCRR, the respective communities and producer customers going forward into the future.

In May 2013, the Saskatchewan Grain Car Corporation (SGCC) redeemed 2,000 of its 4,000 class E shares in WCRR. The redemption value was established by a qualified 3rd party valuator and agreed to by WCRR and the SGCC. The balance of the shares will be redeemed in November of 2014.

Shortline Railway Sustainability Program

The Shortline Railway Sustainability Program (SRSP) provides matching grants to shortline operators to support maintenance and upgrading work on shortline railway track infrastructure in the province. The SRSP operates on a cost-shared basis, with the Province and individual shortlines engaged as equal funding partners.

Shortline Railway Sustainability Program Payments

2012-13 (Aug 2011 - March 2013)	$	245,440
2013-14 (Apr - July 2013)	$	597,939
	$	843,379

In 2012-13, the SGCC continued to fund the program. The SRSP is managed by the Ministry of Highways and Infrastructure (MHI). In the 2012-13 fiscal year, the SGCC dispersed over $843,000 in grant payments.

Management's Report

The accompanying financial statements have been prepared by management of the Saskatchewan Grain Car Corporation. These financial statements have been prepared in conformity with Canadian public sector account standards for other government organizations, consistently applied using management's best estimates and judgment where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information contained in the Annual Report.

The integrity of financial records from which these financial statements are prepared is largely dependent on systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived.

Management believes that financial statements in this Annual Report present fairly the financial position of the Corporation for the year ending July 31, 2013.

The Board of Directors has fulfilled its responsibility with respect to the financial position of the Corporation by reviewing and approving the financial statements for the year ending July 31, 2013.

The financial statements have been audited by the Corporation's external auditors, Skilnick Miller Moar Grodecki & Kreklewich, Chartered Accountants, and approved by the Provincial Auditor and the Provincial Comptroller's Division of Saskatchewan Finance.

Robert Mason
Regina, Saskatchewan
October 30, 2013

Independent Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Saskatchewan Grain Car Corporation, which comprise the statement of financial position as at July 31, 2013 and the statements of operations and net assets, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Responsibility of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for other government organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

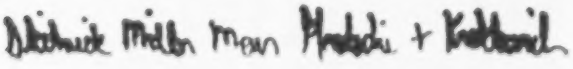
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness or accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Grain Car Corporation as at July 31, 2013 and the results of its operations and net assets, change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector standards for other government organizations.



SKILNICK MILLER MOAR GRODECKI & KREKLEWICH
Chartered Accountants

Melville, Saskatchewan
September 20, 2013

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2013

STATEMENT 1

	2013	2012
FINANCIAL ASSETS		
Cash	$ 35,862	$ 330,917
Due from General Revenue Fund (Notes 4)	3,099,742	5,708,178
Accounts receivable	183,385	213,417
Other investments (Notes 2 & 6)	203,674	407,349
TOTAL FINANCIAL ASSETS	$ 3,522,663	$ 6,659,861
LIABILITIES		
Accounts payable and accrued liabilities	$ 642,727	$ 215,746
Goods and services tax payable	8,382	15,715
Provincial sales tax payable	3,046	4,630
Security deposit	68,805	68,805
Accrued Sick Leave (Note 11)	10,450	9,844
Deferred fleet revenue (Notes 3 & 7)	-	552,344
TOTAL LIABILITIES	$ 733,410	$ 867,084
NET FINANCIAL ASSETS - STATEMENT 3	$ 2,789,253	$ 5,792,777
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 2 & 5)	$ 10,088,263	$ 11,347,218
Prepaid expense	7,074	12,376
TOTAL NON-FINANCIAL ASSETS	$ 10,095,337	$ 11,359,594
NET ASSETS - STATEMENT 2	$ 12,884,590	$ 17,152,371

Approved on behalf of the Board:

Don McMorris
Chairperson of the Board

(See Accompanying Notes to Financial Statements)

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF OPERATIONS AND NET ASSETS
FOR THE YEAR ENDED JULY 31, 2013

STATEMENT 2

	2013 Budget	2013	2012
REVENUES			
Car leasing (Note 3)	$ 2,000,000	$ 2,205,005	$ 1,883,919
Compensation from destroyed cars (Note 3)	-	40,247	-
Interest (Notes 4 & 8)	48,600	51,995	57,709
Fleet revenue (Note 7)	555,100	557,158	412,833
Grants (Note 10)	-	-	700,000
Model car royalties	1,000	405	565
Consulting services	-	-	12,996
Gain on sale of shares (Note 6)	-	44,146	-
Other	500	687	-
TOTAL REVENUES	$ 2,605,200	$ 2,899,643	$ 3,068,022
EXPENSES			
Administration (Schedule 1)	$167,250	$127,413	$121,009
Amortization (Notes 2 & 5)	1,287,000	1,247,503	1,248,419
Destroyed grain cars	-	11,452	-
Fleet repair and maintenance (Note 7)	1,394,600	936,052	412,832
Grants (Note 10)	700,000	843,379	1,154,559
Salaries and benefits (Notes 8, 9 & 11)	520,000	463,642	659,619
Travel and sustenance	52,000	37,983	42,083
TOTAL EXPENSES	$ 4,120,850	$ 3,667,424	$ 3,638,521
(DEFICIT) SURPLUS FOR THE YEAR	$ (1,515,650)	$ (767,781)	$ (570,499)
Net assets, beginning of year		17,152,371	17,722,870
Dividends paid to the General Revenue Fund		(3,500,000)	-
NET ASSETS, END OF YEAR		$ 12,884,590	$ 17,152,371

(See Accompanying Notes to Financial Statements)

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED JULY 31, 2013

STATEMENT 3

	2013	2012
Deficit for the year	$ (767,781)	$ (570,499)
Change in non-financial assets		
Tangible capital assets		
Amortization	1,247,503	1,248,419
Destroyed grain cars	11,452	-
(Increase) decrease in prepaid expenses	5,302	(9,393)
Net change in non-financial assets	$ 1,264,257	$ 1,239,026
Increase in net financial assets	496,476	668,527
Net financial assets, beginning of year	5,792,777	5,124,250
Dividends paid to the General Revenue Fund	(3,500,000)	-
NET FINANCIAL ASSETS, END OF YEAR	$ 2,789,253	$ 5,792,777

(See Accompanying Notes to Financial Statements)

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED JULY 31, 2013

STATEMENT 4

	2013	2012
OPERATING ACTIVITIES		
Deficit for the year	$ (767,781)	$ (570,499)
Non-cash items included in surplus (deficit) for the year:		
Amortization	1,247,503	1,248,419
Destroyed grain cars	11,452	-
Change in non-cash operating activites:		
Decrease in accounts receivable	30,032	232,254
Increase in accounts payable and accrued liabilities	426,981	110,806
(Decrease) Increase in goods and services tax payable	(7,333)	10,425
(Decrease) Increase in provincial sales tax payable	(1,584)	4,630
Increase in accrued sick leave	606	9,844
(Decrease) in deferred fleet revenue	(552,344)	(270,530)
Decrease (Increase) in prepaid expenses	5,302	(9,393)
Cash provided by operating activities	$ 392,834	$ 765,956
CAPITAL ACTIVITIES	$ Nil	$ Nil
INVESTING ACTIVITIES		
Sale of shares	$ 203,675	$ Nil
FINANCING ACTIVITIES		
Dividends paid to the General Revenue Fund	$ (3,500,000)	$ Nil
INCREASE IN CASH AND CASH EQUIVALENTS	$ (2,903,491)	$ 765,956
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,039,095	5,273,139
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,135,604	$ 6,039,095

SUMMARY OF CASH AND CASH EQUIVALENTS

Cash	$ 35,862	$ 330,917
Due from General Revenue Fund	3,099,742	5,708,178
	$ 3,135,604	$ 6,039,095

(See Accompanying Notes to Financial Statements)

SASKATCHEWAN GRAIN CAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2013

1. Status of the Corporation

The Saskatchewan Grain Car Corporation is a Provincial Crown Corporation established on October 2, 1979 by Order-in-Council 1787/79. The Corporation continues under the authority and provisions of *The Saskatchewan Grain Car Corporation Act*.

The Corporation's mission is to maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the Province in general, through the effective and efficient use of its resources.

2. Significant Accounting Policies

The Corporation uses Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board for other government organizations by the Canadian Institute of Chartered Accountants.

a) Revenues

Revenues from car operating leases are recognized as the services are provided to the lessee and collection is reasonably assured.

b) Tangible Capital Assets

Tangible capital assets are recorded at cost and include include all amounts directly attributable to the purchase or the betterment of the grain car fleet. Normal maintenance and repairs are expensed as incurred. Capital assets are amortized on a straight-line basis over their estimated useful life of 40 years.

c) Investments

The investment In the shares of West Central Road & Rail Ltd. are recorded at cost. Dividends from these shares are recorded as revenue when received or receivable.

d) Foreign Currency

The Corporation translates its foreign currency transactions into Canadian dollars by applying the exchange rate in effect on the transaction date. Monetary assets and liabilities are adjusted to reflect the exchange rate in effect at the reporting date. Exchange gains and losses are recognized in the statement of operations in the current period.

e) Measurement Uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from these estimates.

3. Commercial Lease Agreements

a) Canadian Pacific Railway (CPR)

The Corporation entered into a Master Agreement date November 25, 2011. The agreement was amended on June 28, 2012, effective August 1, 2012. Significant terms of the lease of the 488 cars are as follows:

A four year lease term of 200 cars expiring August 1, 2015. A three year lease term of 150 cars expiring August 1, 2014. A one year lease term for 138 cars expiring on July 31, 2013. CPR has the option to extend the lease an additional year unless the lease is terminated earlier in accordance with the provisions of the Master Agreement.

CPR is responsible for maintaining and repairing the Corporation's hopper cars at their own expense in accordance with Transport Canada, Federal Railway Administration (FRA) and Association of American Railroads (AAR) rules.

In the event that one of the Corporation's cars is damaged beyond economic repair, CPR is required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the AAR.

b) Last Mountain Railway (LMR)

The Corporation entered into a five year lease agreement effective October 3, 2011 for 416 hopper cars. Significant terms of the lease are as follows:

LMR is responsible for maintaining and repairing the Corporation's hopper cars at their own expense in accordance with Transport Canada, Federal Railway Administration (FRA) and Association of American Railroads (AAR) rules.

In the event that one of the Corporation's cars is damaged beyond economic repair, LMR is required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the AAR.

In the event that LMR does not enter into a subsequent lease agreeement, the hopper cars will be returned at a mutually agreed upon major interchange located within Saskatchewan on LMR trackage.

c) Canadian National Railway Company

The Corporation extended the existing Operating Agreement with CNR for any hopper cars in the control of the CNR during the period of transfer to LMR. The Operating Agreement allows the CNR to lease the cars free of charge for the movement of grain. As of August 1, 2012, any hopper cars remaining with CNR will be charged on a daily basis as specified in the turnback provisions.

CNR is responsible for maintaining and repairing the Corporation's hopper cars at their own expense in accordance with Transport Canada, Federal Railway Administration (FRA) and Association of American Railroads (AAR) rules.

In the event that one of the Corporation's cars is damaged beyond economic repair, CNR is required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the AAR.

4. Due From General Revenue Fund

Most of the Corporation's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Corporation's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Corporation's bank account using the Government's thirty day borrowing rate and the Corporation's average daily bank balance. The Government's average thirty day borrowing rate for 2013 was 1.09% (2012 - 1.06%).

5. Rolling Stock

	Cost	Accumulated Amortization	Book Value
Balance, beginning of year	$ 49,936,775	$ 38,589,557	$ 11,347,218
Destroyed cars	54,966	43,514	11,452
	49,881,809	38,546,043	11,335,766
Current amortization - 2.5%	Nil	1,247,503	1,247,503
Balance, end of year	$ 49,881,809	$ 39,793,546	$ 10,088,263

6. Investment in Shares of West Central Road & Rail Ltd.

The Corporation owns 2,000 Class "E" shares of West Central Road & Rail Ltd. The shares are transferable, non-voting except for the entitlement to elect 2 of 13 directors and participate equally in dividends and the distribution of assets on liquidation or wind-up. As per the Agreement, the Corporation redeemed on May 31, 2013 2,000 shares at their fair market value. The Corporation has also requested to redeem the remaining 2,000 shares on November 1, 2014.

7. Deferred Fleet Revenue and Restricted Funds

The prior lease agreeements with CNR required the compensation for destroyed cars to be recorded as deferred fleet revenue to be used for future purchase, upgrades and repairs and maintenance. Effective August 1, 2012 this is no longer required as CNR is to turn all of the hopper cars in their control over to LMR.

a) Deferred Fleet Revenue

	2013	2012
Balance, beginning of year	$ 552,344	$ 822,874
Interest allocated (Notes 2, 4 & 8)	4,814	7,102
Lease turnback settlement	-	135,200
Fleet repairs and maintenance	(557,158)	(412,832)
	$ -	$ 552,344

b) Restricted Funds

	2013	2012
Cash	$ -	$ 552,344

8. Related Party Transactions

The Corporation is related to all Saskatchewan Crown Agencies under the common control of the Government of Saskatchewan and all non-crown enterprises that the Government jointly controls or significantly influences.

Operating transactions with related parties are recorded at the rate charged by those organizations and are settled on normal trade terms. These transactions are as follows:

	2013	2012
Revenues		
Government of Saskatchewan		
General Revenue Fund Interest - deferred fleet revenue	$ 4,814	$ 7,102
General Revenue Fund Interest	$ 51,995	$ 55,004
Expenses		
Information Technology Office		
Computer maintenance	$ 9,477	$ 10,196
Telecommunications	$ 785	$ 118
Ministry of Government Services		
Rent of office space	$ 52,622	$ 45,956
Printing and copying	$ 550	$ 582
Consulting services	$ 100	$ 100
Central vehicle agency	$ 12,979	$ 17,528
Saskatchewan Telecommunications		
Telecommunications	$ 4,339	$ 4,407
Workers' Compensation Board (Saskatchewan)		
Salaries and benefits	$ 2,097	$ 2,932

9. Pension Plan

The Corporation participates in a defined contribution pension plan for the benefit of its employees. The Corporation's financial obligation to the Capital Pension Plan (a related party) is limited to making regular payments to match the amounts contributed by employees for current service. The pension expense for 2013 was $28,425 (2012 - $29,962).

10. Shortline Railway Sustainability Program (SRSP)

The SRSP provides cost shared grants to shortline operators to support maintenance and upgrading work on shortline railway track infrastructure in the Province of Saskatchewan.

11. Accrued Sick Leave

The Corporation has retroactively recorded a liability for accumulated sick leave as per Public Sector Accounting Standard 3255. Prior year comparative figures were increased as follows:

	Previous	Restated	Change
Accumulated Sick Leave liability	$ -	$ 9,844	$ 9,844
Net Assets	$ 17,162,215	$ 17,152,371	$ (9,844)
Salaries and benefits expense	$ 649,775	$ 659,619	$ 9,844

SASKATCHEWAN GRAIN CAR CORPORATION
SCHEDULE OF ADMINISTRATION EXPENSES
FOR THE YEAR ENDED JULY 31, 2013

SCHEDULE 1

	2013 Budget	2013	2012
Advertising and promotion	$ 5,000	$ 1,000	$ 1,134
Bank charges	250	130	118
Computer maintenance (Note 8)	12,000	9,477	10,196
Computer software (Note 8)	2,000	819	819
Conferences and professional development	15,500	10,826	9,556
Consulting services (Note 8)	30,000	22,030	11,053
Memberships and subscriptions	10,000	7,745	7,477
Miscellaneous	2,000	1,137	6,443
Office equipment and supplies (Note 8)	2,500	926	965
Printing, copying, postage and courier (Note 8)	5,500	4,143	4,188
Professional services	17,000	8,558	9,188
Rent - office space (Note 8)	60,000	55,462	55,562
Telecommunications (Note 8)	5,500	5,160	4,310
TOTAL EXPENSES TO STATEMENT 2	$ 167,250	$ 127,413	$ 121,009

(See Accompanying Notes to Financial Statements)

Statistical Summary

As of July 31, 2013

Year	Destroyed Cars			Leasing Revenues				
	CN	CP	Total	CN	CP	Total		
1979/80	-	-	-	-	-	-	-	
1980/81	477	273	750	-	-	-	-	
1981/82	477	523	1,000	-	-	-	$56,294	
1982/83	477	523	1,000	-	-	-	$11,850	
1983/84	475	523	998	2	-	2	-	
1984/85	475	523	998	-	-	-	-	
1985/86	475	523	998	-	-	-	-	
1986/87	474	523	997	1	-	1	-	
1987/88	474	523	997	-	-	-	-	
1988/89	474	523	997	-	-	-	$1,099,441	
1989/90	474	523	997	-	-	-	$92,310	
1990/91	474	523	997	1	-	1	$146,343	
1991/92	473	522	995	-	1	1	$268,342	
1992/93	473	522	995	-	-	-	$326,047	
1993/94	472	522	994	1	-	1	$816,083	
1994/95	472	518	990	-	4	4	$628,807	
1995/96	470	514	984	2	4	6	$946,233	
1996/97	468	514	982	2	-	2	$991,526	
1997/98	468	509	977	-	5	5	$1,089,116	(See note 1, page 27)
1998/99	468	509	977	-	-	-	$1,305,593	
1999/00	464	508	972	4	1	5	$1,189,104	(See note 2, page 27)
2000/01	458	498	956	6	10	16	$1,304,835	
2001/02	455	498	953	3	-	3	$1,033,158	
2002/03	454	497	951	1	1	2	$1,315,865	
2003/04	442	497	939	12	-	12	$1,766,041	
2004/05	440	494	934	2	3	5	$1,543,736	
2005/06	434	494	928	6	-	6	$1,064,115	
2006/07	429	493	922	5	1	6	$1,629,790	
2007/08	424	491	915	5	2	7	$1,864,169	
2008/09	419	491	910	5	-	5	$1,093,967	
2009/10	417	490	907	2	1	3	$1,244,944	
2010/11	416	488	904	1	2	3	$1,470,636	
2011/12	416	488	904	0	0	0	$1,883,919	
2012/13	415	488	903	1	0	1	$2,205,005	
Total	**415**	**488**	**903**	**62**	**35**	**97**	**$28,387,269**	

Notes to Statistical Summary

1. Revenue adjustments for 1997/98 fiscal year

Car leasing revenue recognized as per 1997/98 Financial Statement	$ 1,507,271
- Bad debt allowance as shown in 1997/98 Financial Statement	($ 160,000)
- Bad debt allowance as shown in 1998/99 Financial Statement	($ 53,543)
- Settlement recovery with CP for western Canada commercial moves from 1991 to 1997 realized in 1998/99	($ 204,612)
Car leasing revenue actually realized in 1997/98	$ 1,089,116

2. Revenue adjustments for 1999/00 fiscal year

Car leasing revenue recognized as per 1999/00 Financial Statement	1,639,104
Settlement recovery with CN for western Canada commercial moves form 1991 to 1997 realized in 1999/00	($ 450,000)
Car leasing revenue actually realized in 1999/00	$ 1,189,104

Corporate Information

DEFINITIONS

Commercial Service

Commercial service is defined as the movement of any commodity not destined to port for export, or the movement of commodities to port not covered under Schedule II of the Canada Transportation Act. For these commercial movements the Corporation receives a lease fee.

Domestic and Export Markets

Canada, United States, and Mexico make up the domestic or North American market; the rest of the world is the export or offshore market.

Gross Weight

Total of weight of car, net load, and dunnage.

Light Weight (LT WT)

Weight of empty railroad car expressed in pounds. This figure is stenciled on the car. Also referred to as Tare Weight.

Load Limit (LD LMT)

Absolute maximum allowable weight of load, including both net weight and dunnage, that a freight car is authorized to carry. This figure is stenciled on the car.

Metric tonne

A metric tonne equals 2,204.6 pounds or 1000 kilograms, and is 10 percent larger that a 2000 pound short ton.

Statutory Grain Service

Statutory grain service is the transportation of commodities which are moved to port for export as defined in Schedule II of the Canada Transportation Act. Under the 1981 Operating Agreement between the Saskatchewan Grain Car Corporation, Canadian Wheat Board, CN Rail, and CP Rail, the Corporation allows CN and CP to use Corporation owned cars for the movement of Schedule II commodities to port facilities in western Canada at no cost to the railways.

For additional information:

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